



Corporate social responsibility practices in India: Analysis of Public companies

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Abstract

Corporate social responsibility has gained unprecedented importance and become imperative to any companies strategic decision making .Government alone will not be able to et success in its endeavor to uplift society. Due to globalization liberalization and privatization corporate environment is changing, then corporates have set up separate CSR wing for sustainable growth. This paper explains the corporate social responsibility practices framework for companies and analyses the public companies CSR practices.

Keywords: Sustainable development, corporate social responsibility, New Companies Act 2013

Introduction

In the current scenario, CSR goes beyond the old philanthropy of the part –donating money to good cause at the end of the financial year. Infact , it has become throughout year responsibility. In the words of sourabh sanyal executive director of phd chamber of commerce “the brand name depends not only quality, price and uniqueness but how, cumulatively, they interact with companies workforce, community and environment. Keeping in mind the three “Ps”-*people, planet, and profit* –we move toward the challenging measure of corporate responsibility

CSR is a way of conducting business, which makes corporate entities socially responsible citizens, visibly contributing to the social good. Corporates use CSR integrate economic,environmental and social objective with the company’s operation and growth.A widely cited definition of CSR in business and social context has been given by the European Union (EU). It describes CSR as “the concept that an enterprise is accountable for its impact on all relevant stakeholders. It is the continuing commitment by business to behave fairly and responsibly, and contribute to economic development while improving the quality of life of the work force and their families as well as of the local community and society at large”



In other words, CSR refers to ensuring the success of the business by inclusion of social and environmental considerations into a company's operations. It means satisfying your shareholders' and customers' demands while also managing the expectation of other stakeholders such as employees, suppliers and the community at large. It also means contributing positively to society and managing your organization's environmental impact.

Objective of the Study

1. To study the regulatory environment for the CSR in India.
2. To analyse the corporate social responsibility activities carried by public companies.

Review of Literature

The review of literature for corporate social responsibility is important as knowledge changes with passage of time. In order to have knowledge about the various authors' review findings and suggestions on the concerned topic, so, the review of literature for this study is as follows:

Shah, Bhaskar (2010), in his study of public sector undertaking Bharat Petroleum Corporation Ltd. in their research work. The research has discussed that there is a broad relationship between the organization and society. Organization has its existence only with the society. Organization uses the resources/inputs of the society like material and human etc. In reverse, the organization provides services to the society. From the case study of the BPCL, it was found that the company has taken a lot of initiatives in order to serve the society.

Mc William & S. Seigal (2010) has provided the importance of CSR as a strategy of enhancing the reputation of companies.

Hartman (2011), article "*Corporate social Responsibility in the food sector*" in European review of agriculture economics journal, analyzed the importance of CSR in the food sector, particularly those companies which have high brands. CSR is an important part of these companies. But SMEs are less capable in discharging their obligations towards society. Further, the research found that the food sector always tries to improve the controlling and discharging its services towards consumers. Consumers also prefer those brands or food firms which give preference to CSR activities and provide good products and services.

Bibhu Parshad (2012), in his article on CSR stated that it is the face of industry face of doing trade. Corporate houses took CSR as a medium fulfillment of profit greed of corporate houses. Further, the article explored that companies today invest in a lot of areas like child labor, ground



water, food, education, employment etc. but nobody is aware about the essential need of world's poor. He suggested that CSR is beyond the natural and statutory obligation of the companies.

Bansal, Parida, Kumar (2012), paper entitled "*Emerging trends of Corporate Social Responsibility in India*" in KAIM Journal of Management and Research, analyze 30 companies of 11 sectors listed in the Bombay Stock Exchange with the help of their annual reports. Some of these sectors were Transport Equipment sector, Finance and Metal Mining sector, IT & Power, Capital goods, Telecom, Housing, FMCG, Oil & Gas and Cipla. The paper considered the nature and areas of society in which the companies are investing. By considering all those areas it was concluded in the paper that today companies are not working only to earn profit but also have realized the importance of being social friendly. So, on the basis of the paper it can be said that social responsibility has now started taking a turn in the new direction.

The Economic Times (11 Jan.2013), news highlighted about the company Dell's strategy of motivating its employees in initializing CSR. The news discussed that company's employees are the power that forced the company to do more for the society. Company with its employees has engaged in social responsibility activities in the areas of education, environment and employee's welfare. Beside Dell Company, the news also discussed about other companies like Maruti and Gogrej that these companies also provide induction training to its employees for preparing them for community services. Maruti Company run a program named e- parivartan for a group of employees to make them aware about community problem and their solution.

Research Methodology

This paper is based on exploratory research. The paper begins with review of literature. The source of information are various Indian and international journals. Government and respective companies websites. For the analyses purpose the annual reports of the respective companies are used.

Analysis

1. Analyses of regulatory framework

There are many big entities who have been actively engaged in the CSR activities but unfortunately the number is relatively less. In order to encourage more entities to participate in the process of development of the society via- CSR, the Government of India has actually implemented the concept of CSR in the new Companies Act 2013, On 27th February, 2014, the Government of India has notified the rules for CSR spending u/s 135 of the New Companies Act 2013 along with Companies (Corporate Social Responsibility Policy) Rules, 2014 effective from 1st April 2014.



Eligibility Criteria: Company (includes foreign company with branches or project in India) during any financial year, are covered by this provision having:

1. Minimum net worth of rupees 500 Crore.
2. Turnover up to “1000 Crore”
3. Having a net profit of at least ‘5crore’.

Composition of CSR committee

The Company should constitute a Corporate Social Responsibility Committee as follows:

1. The Committee shall consist of minimum 3 (three) including 1 (one) Independent Director, however in case of Private Company or the Company, which is not required to appoint Independent Director on board, or Foreign Company the committee can be formulated with (2) two directors.
2. The CSR Policy shall be formulated in accordance with Schedule VII and the CSR Committee will be responsible for framing the policy, finalizing the amount to be spent on CSR, monitoring & implementation of the Scheme.
3. If Company ceases to fulfill the eligibility criteria for three consecutive years, then the company is not required to comply until the company will meet the eligibility criteria once again.

The CSR Rules provides the manner in which CSR committee shall formulate, monitor the policy and manner of understanding for CSR activities. Under the rules, the Government has also fixed a threshold limit of 2% of the “Average” Net Profits of the block of previous three years on CSR activities and if Company fails to spend such amount, disclosures are to be made for the same. But an exemption has been given to the Companies that do not satisfy the above threshold for three consecutive years.



Table -1: CSR activities as per Sec-135(Schedule, VII) of CSR activities

S.No.	Type of the CSR activity
1	Eradicating extreme hunger and poverty
2	Promotion of education
3	Promoting gender equality and empowering women
4	Reducing child mortality and improving maternal health
5	Combating human immunodeficiency virus, acquired immune deficiency syndrome, malaria and other diseases
6	Ensuring environmental sustainability
7	Employment enhancing vocational skills
8	Social business projects
9	Contribution to the Prime Minister's National Relief Fund or any other fund set up by the Central Government or the State Governments for socioeconomic development and relief and funds for the welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women.
10	Other activity not mentioned above

Source: Sec-135- (Schedule VII) Companies Act 2013

❖ Coal India limited companies policy on CSR practices

I. Company profile: The Mines of Coal India and its subsidiaries are located in different parts of the country spread in 8 States, and relatively in isolated areas with little contact to the outside society. Mining of coal has profound impact on the people living in and around the areas where the mines are established. The obvious impact of the introduction of any production activity in such areas change the traditional lifestyle of the original inhabitants and indigenous communities and also change the socio-economic profile of the Area. Hence, the primary beneficiaries of CSR should be land oustees, PAP and those staying within the radius of 25 Kms of the Project. Poor and needy section of the society living in different parts of India should be second beneficiaries.

Corporate social responsibility of CIL broadly covers:

a) Welfare measures for the community at large, so as to ensure the poorer section of the Society derived the maximum benefits.

b) Contribution to the society at large by way of social and cultural development, imparting education, training and social awareness specially with regard to the economically backward class for their development and generation of income to avoid any liability of employment.



c) Protection and safeguard of environment and maintaining ecological balance.

II. Objectives: The main objective of CSR policy is to lay down guidelines for the coal companies to make CSR a key business process for sustainable development for the Society.

III. Area to be covered: The poor and needy Section of the Society living in different parts of India would normally be covered. The CSR program will also cover the existing components of Special Component Plan (SCP) and Tribal Sub Plan (TSP) for development of the SC and ST population besides development components for the entire population. In respect of Subsidiary Companies of CIL, for carrying out CSR activities, 80% of the budgeted amount should be spent within the radius of 25 Km of the Project Site/Mines/Area HQ/Company HQ and 20% of the budget would be spent within the State/States in which the subsidiary companies are operating.

IV .Allocation of fund: The fund for the CSR should be allocated based on 2% of the average net profit of the Company for the three immediate preceding financial years or Rs. 2.00 per tonne of Coal Production of previous year

V. Scope: As per Schedule VII of New Companies Act 2013 the following should be the Scope of Activities under Corporate Social Activities:

VI. Education: Supporting to technical an vocational institution for self development. Various scholarship programs for students belonging to BPL for higher education. Promoting girl child education in rural and remote area

VII. Implementation: a) The investment in CSR should be project based and for every project time framed periodic mile stones should be finalized at the outset. b) Project activities identified under CSR are to be implemented by Specialized Agencies. Specialized Agencies could be made to work singly or in tandem with other agencies. Specialized agencies would include:

I. Community based organization whether formal or informal. II. Elected local bodies such as Panchayats III. Voluntary Agencies (NGOs) IV. Institutes/Academic Organizations V. Trusts, Mission etc. VI. Self-help groups VII. Government, Semi-Government and autonomous Organizations. VIII. Standing Conference of Public Enterprises (SCOPE) IX. MahilaMondals/Samitis and the like X. Contracted agencies for civil works XI. Professional Consultancy Organization.

Activities related to Sustainable Development will form a significant element of the total initiatives of CSR. Such activities should come under the *UN Global Compact Principles* pertaining to the Environment Business are asked to a. Support a precautionary approach to



environmental challenges Undertake initiatives to promote greater environmental responsibility and Encourage the development and diffusion of environmentally friendly technologies.

VIII. Institutional arrangement: All proposals under CSR activity would be examined by the CSR Committee keeping in view the Companies Act 2013, latest DPEs guideline together with cost benefit analysis.

The existing arrangement of getting the proposal examined by TISS would continue. Based on the recommendation of the Company Executives of CSR discipline/ TISS, CSR project proposals/ Programmes/Activities shall be deliberated in the meeting of CSR Committee consisting of HODs/ Senior Executives of different discipline, who in turn would examine and submit its recommendation to Dir. (P&IR)/ Dir. (P), as the case may be and thereafter based on the recommendation of Dir(P&IR)/Dir.(P), approval of the Competent Authority shall be accorded.

C.S.R. Department of CIL and its Subsidiary Companies would act as “NODAL” Deptt. under the guidance of Director (P&IR), CIL and concerned Director (Personnel) of subsidiary companies as the case may be and would put up all CSR Projects/Programs/Activities to the CSR Committee after obtaining recommendation from TISS.

IX. base line survey and documentation: The CSR activities for high value project (more than Rupees one crore) , base line survey may be carried out and cost benefit analysis has to be ascertained through the above survey. The base line survey may be carried out by an External Agency having proper credential in the field of social activities, as deemed fit by the CSR Committee. c) The CSR activities for providing infrastructural facilities like medical college, institution, where social benefit is involved, baseline survey is not required. The cost benefit and justification for any project has to be ascertained.

X. Monitoring : The CSR Committee of CIL and its Subsidiaries or their representatives shall monitor the progress of work of ongoing projects from time to time and case to case basis or / the monitoring may be carried out by External Reputed Agency. b) The CSR CELL constituted at CIL and subsidiary level should be headed by an E/8 level officer and will prepare the Annual Report on CSR Activities for placing the same before CSR & Sustainable Development Committee. c) Board Level Committee on CSR and Sustainable Development of CIL as well as subsidiaries shall review the implementation of CSR activities in every six months and recommend the amount of expenditure to be incurred on CSR activities.



❖ GAILs policy on CSR practices

1. CSR Vision Statement & Objectives:

Vision Statement - GAIL, through its CSR initiatives, will continue to enhance value creation in the society and in the community in which it operates, through its services, conduct & initiatives, so as to promote sustained growth for the society and community, in fulfillment its role as a Socially Responsible Corporate, with environmental concern.

Objectives

- Ensure an increased commitment at all levels in the organization, to operate its business in an economically, socially & environmentally sustainable manner, while recognizing the interests of all its stakeholders.
- To directly or indirectly take up programmes that benefit the communities in & around its work centres and results, over a period of time, in enhancing the quality of life & economic well-being of the local populace.
- To generate, through its CSR initiatives, goodwill and pride for GAIL among stakeholders and help reinforce a positive & socially responsible image of GAIL as a corporate entity.

2. Composition of CSR Committee of the Board:

- The composition of the Corporate Social Responsibility Committee of the Board shall be notified from time to time, in terms of the provisions of Sub – section (1) of Section 135 of the Companies Act, 2013.
- The present composition of the CSR Committee is - C& MD as Chairman of the Committee and Director (HR) and Joint Secretary (Ministry of Petroleum and Natural Gas) as member*.

3. Planning

Resources

- For achieving its CSR objectives through implementation of meaningful & sustainable CSR projects or programmes, GAIL will *spend 2% of the Average Net Profit made by the company during the three immediately preceding financial years. (Net profit to be calculated in accordance with the provisions of Section 198 of Companies Act, 2013).*
- The unspent CSR amount in a particular year would not lapse. It would instead be carried forward to the next year for utilization for CSR activities only.



Identification of Focus Areas:

GAIL shall undertake CSR projects or programs targeted at upliftment of beneficiaries belonging to the under privileged section of the society. The overarching goal of GAIL's CSR initiatives is socio economic empowerment of people from all disadvantaged groups, as per the intent and provisions of Schedule VII of Companies Act, 2013.

Keeping in view the spirit of executing CSR activities, the broad umbrella of GAIL CSR initiatives will be titled '**GAIL Hriday**' (*Corporate with a Heart*).

- GAIL shall undertake CSR projects in sectors as identified under Schedule VII of the Companies Act, 2013 with special focus on the areas given below, each of which is titled by the objective they seek to achieve:

I. **GAIL Arogya**(Wellness) - Nutrition, Health and Sanitation and Drinking Water projects

II. **GAIL Ujjwal**(Towards a Bright future) – Education initiatives

III. **GAIL Kaushal**(Skill) - Livelihood Generation and Skill development initiatives.

IV. **GAIL Unnati**(Progress)-Rural Development

V. **GAIL Sashakt**(Empowerment)- Women Empowerment initiatives

VI. **GAIL Saksham**(Capable) - Care of the elderly and differently abled.

VII. **GAIL – Harit**(Green) - Environment centric initiatives

The nature of the CSR programs to be undertaken under each of the above focus areas will be indicated in the 'Operating Guidelines to GAIL CSR Policy'.

3.2.3 As a part of the sustainability initiatives within the organization, GAIL shall give due importance to environmental sustainability even in normal mainstream activities by ensuring that our operations and processes promote renewable sources of energy, reduce / re-use / recycle waste material, replenish ground water supply, protect / conserve / restore the ecosystem, reduce carbon emissions and help in greening the supply chain. However, expenditure towards such sustainability initiatives would not constitute a part of CSR spends from 2% of profits as stipulated in the Act and the CSR Rules.



4. Implementation

- CSR programmes will be undertaken by various work centers of GAIL within the defined ambit of Schedule VII of Companies Act, 2013 with special focus on the heads as listed at Clause 3.2.2.
- Majority of the CSR programmes by value (at least 75%) will be implemented in and around the 'local areas' (within a radius of 100 Kms) adjoining GAIL installations which are largely located in remote areas/along the GAIL pipeline. The balance projects can be taken up anywhere in the country, as per the company requirement/imperatives from time to time.
- CSR activities shall be undertaken through various agencies including registered trusts/societies or companies or autonomous bodies/government departments. In case of NGOs/Trust/Pvt. Companies, an established track record of 03 years in undertaking similar projects or programs would be essential.

5. Monitoring and Feedback

- To ensure transparency and effective implementation of the CSR programmes undertaken at each work centre, a robust monitoring mechanism will be instituted by the company, providing for periodic monitoring at different levels using the following indicative medium:
 - 1. Monthly Progress Report**
 - 2. Quarterly Progress Report**
 - 3. Video Conferencing**
 - 4. Site Visits**
 - 5. Documentary evidence including photographs, films and videos.**
 - 6. Other in – house monitoring mechanisms**, as determined by Work Centre CSR Review Committee/CSR Task Force at Corporate Office.

6. Reporting

- An Annual Report on CSR containing details about the CSR policy and programmes implemented by GAIL shall be included in the Board of Directors' Report for every FY, as per the format prescribed under the Rules to Section 135 of Companies Act, 2013.
- Composition of the GAIL CSR Committee will be included in the Annual Report on CSR and also displayed on the GAIL



Findings of the Study

1. Regulatory frame work for CSR in India is now become mandatory for all corporates to follow from 2014.
2. Guidelines on CSR practices cover broadly the all categories like sustainable development, Education, poor empowerment, women empowerment, infrastructure sports etc.
3. Companies tremendously working towards social activities.
4. They not only covering stated activities under section 135 of companies act. They are going much beyond that.

Conclusion

The key to maximizing returns for all the stakeholders in the given situation is to emphasize on developing effective and need based CSR strategies so that the investments can yield intended results. We recognize that companies have, in their own ways, been contributing to the foundation of CSR in India. they have, withtheir desired methods of intervention, been addressing national concerns such as livelihood promotion, community development, environment, making health services more accessible, creating inclusive markets and so on.New Companies Act 2013 has increase the investment as well strategic efforts for CSR in India.

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